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**Department of  
Administration**

This report documents the results of our financial-compliance audit of the Department of Administration (department) for the two fiscal years ended June 30, 2006.

This report contains twelve recommendations addressing compliance with state or federal laws and regulations and adequate controls. This report also includes a disclosure issue.

We issued an unqualified opinion on the financial schedules contained in this report. This means the reader may rely on the presented financial information and the supporting data on the state's accounting records.

The department's written response to the audit begins on page B-3.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend:

- A. The department limit group benefit expenses to plan claims and fund the volunteer employee benefit account from plan revenue as required by state law.

Department Response: Concur. See page B-3.

- B. The VEBA fund reimburse the group benefits fund \$382,576 for the transfers made in fiscal years 2004-05 and 2005-06..... 8

Department Response: Conditionally concur. See page B-3.

Recommendation #2

We recommend the department pay the procurement credit card bill through an appropriation as required by the constitution..... 9

Department Response: Do not concur. See page B-4.

Recommendation #3

We recommend the department ensure the state's revenue collected by the e-service provider is deposited in the state treasury in compliance with state law. .... 11

Department Response: Conditionally concur. See page B-4.

## Report Summary

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### Recommendation #4

We recommend the department:

- A. Ensure expenditure transactions are properly authorized according to division control procedures.

Department Response: Concur. See page B-4.

- B. Ensure travel claims are properly supported and approved in accordance with state travel policy..... 12

Department Response: Concur. See page B-4.

### Recommendation #5

We recommend the department update and follow the surplus property policy manual..... 13

Department Response: Concur. See page B-4.

### Recommendation #6

We recommend the department ensure that approval decisions made by agencies are accurately established in SABHRS..... 14

Department Response: Concur. See page B-5.

### Recommendation #7

We recommend the department:

- A. Ensure all divisions are aware of state accounting policy related to accounting for federal funds.

Department Response: Concur. See page B-5.

- B. Comply with state accounting policy related to recording expenditure abatements, federal fund balances, and revenue classes..... 16

Department Response: Concur. See page B-5.

### Recommendation #8

We recommend the department develop adequate controls to ensure the SWCAP is accurately completed and submitted timely in accordance with federal regulations..... 17

Department Response: Concur. See page B-5.

### Recommendation #9

We recommend the department allocate volume discount rebates from credit card companies to federal expenditures as required by federal regulations..... 19

Department Response: Conditionally concur. See page B-5.

### Recommendation #10

We recommend the department:

- A. Record all revenue for the statewide fueling network and purchasing card programs in the fund approved by the legislature.

Department Response: Do not concur. See page B-6.

- B. Seek legislation to move the statewide fueling network and purchasing card programs to a fund that is appropriate under state law. .... 20

Department Response: Concur. See page B-6.

### Recommendation #11

We recommend the department:

- A. Comply with section 18-1-110, MCA, and include hiring preference provisions in contracts.

Department Response: Concur. See page B-6.

- B. Comply with section 75-10-806(5), MCA, and establish a joint recycling market development task force.

Department Response: Concur. See page B-6.

- C. Comply with section 2-18-204(1), MCA, and determine classes of positions of employees each fiscal year.

Department Response: Concur. See page B-6.

- D. Comply with section 22-3-804, MCA, and appoint members of the Burial Preservation Board as the law allows.

Department Response: Concur. See page B-6.

- E. Or seek legislation to amend the laws. .... 22

### Recommendation #12

We recommend the department comply with section

- 17-8-101(6), MCA, and ensure internal service fund rates are commensurate with costs or seek legislation to move the activity to a more appropriate fund type. .... 27

Department Response: Concur. See page B-7.